

CITY OF NEW LONDON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 13
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 14
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to the	
Cash Basis Statement of Activities and Net Position	C 15
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	D 16
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to the	
Cash Basis Statement of Activities and Net Position	E 17
Notes to Financial Statements	18-25
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) – All	
Governmental Funds and Proprietary Funds	27-28
Notes to Other Information – Budgetary Reporting	29
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 31
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Proprietary Funds	2 32
Schedule of Indebtedness	3 33
Bond and Note Maturities	4 34-35
Schedule of Receipts by Source and Disbursements by Function –	
All Governmental Funds	5 36-37
Independent Auditor's Report on Internal Control over Financial	
Reporting and on Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in Accordance with	
<u>Government Auditing Standards</u>	38-39
Schedule of Findings	40-44

City of New London

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Sadler	Mayor	Dec 2015
Kirk Miller	Mayor Pro tem	Dec 2015
Greg Thu	Council Member	Dec 2015
Mark Hempen	Council Member	Dec 2013
Alisha Hudnall	Council Member	Dec 2013
Dan Berner	Council Member	Dec 2013
Scott Housman	Utility Board Chairman	Nov 2015
Gary Blanck	Utility Chairman Pro tem	Nov 2013
Cris Julian	Utility Trustee	Nov 2017
Jerry Wilhelm	Utility Trustee	Nov 2013
Daryl Gipple	Utility Trustee	Nov 2015
Kasi A. Howard	Clerk/Treasurer	
Jeri Lyles	Deputy Clerk/Secretary	

TED M. WIEGAND, CPA

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Telephone (319) 385-4701

E-mail tdwiegand@mchsi.com

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council and Utility Board:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial statements for the nine years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 28, 2014 on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

TED M. WIEGAND, CPA

March 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of New London (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 11.4%, or approximately \$116,000, from fiscal year 2012 to fiscal year 2013. Property tax decreased approximately \$17,000 and the City had loan proceeds of \$150,000 in fiscal year 2013.
- Disbursements of the City's governmental activities increased 19.5%, or approximately \$191,000, in fiscal year 2013 from fiscal year 2012. Debt service and capital projects disbursements decreased approximately \$28,000 and \$39,000, respectively. Public safety and public works disbursements increased approximately \$228,000 and \$23,000, respectively.
- The City's total cash basis net position increased 12%, or approximately \$247,500, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$7,500 and the cash basis net position of the business type activities increased approximately \$240,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state grants finance most of these activities.
- Business Type Activities include the electrical distribution, sanitary sewer system, waterworks and refuse collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the Electric, Sewer, Water and Sanitation funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$698,250 to \$705,715. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for services	\$ 21,020	\$ 10,826
Operating grants, contributions and restricted interest	232,911	224,554
General receipts:		
Property tax	398,964	416,154
Local option sales tax	152,435	155,866
Unrestricted interest on investments	7,625	10,265
Loan proceeds	150,000	-
Other general receipts	<u>175,847</u>	<u>204,947</u>
Total receipts	<u>1,138,802</u>	<u>1,022,612</u>
Disbursements:		
Public safety	534,742	306,548
Public works	214,972	191,681
Culture and recreation	156,039	158,927
General government	174,526	164,832
Debt service	86,471	114,802
Capital projects	<u>2,139</u>	<u>41,351</u>
Total disbursements	<u>1,168,889</u>	<u>978,141</u>
Change in cash basis net position before transfers	(30,087)	44,471
Transfers, net	<u>37,552</u>	<u>37,552</u>
Change in cash basis net position	7,465	82,023
Cash basis net position beginning of year	<u>698,250</u>	<u>616,227</u>
Cash basis net position end of year	<u>\$ 705,715</u>	<u>\$ 698,250</u>

The City's total receipts for governmental activities increased 11.4%, or approximately \$116,000. The total cost of all programs and services increased approximately \$190,000, or 19.4%, with no new programs added this year. The significant increase in disbursements was primarily the result of the purchase of a new fire truck for approximately \$200,000, and the significant increase in receipts was primarily the result of the related loan proceeds of \$150,000.

The cost of all governmental activities this year was \$1,168,889 compared to \$978,141 last year. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$914,958 because some of the cost was paid by those directly benefited from the programs (\$21,020) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$232,911).

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 248,133	\$ 204,716
Electric	1,910,010	1,545,112
Sewer	296,329	205,393
Sanitation	156,146	154,973
General receipts:		
Unrestricted interest on investments	14,159	27,813
Loan proceeds	244,200	308,000
Miscellaneous receipts	172,827	169,729
Total receipts	<u>3,041,804</u>	<u>2,615,736</u>
Disbursements:		
Water	269,401	248,749
Electric	1,863,848	4,326,940
Sewer	481,644	282,265
Sanitation	149,161	151,223
Total disbursements	<u>2,764,054</u>	<u>5,009,177</u>
Change in cash basis net position before transfers	277,750	(2,393,441)
Transfers, net	<u>(37,552)</u>	<u>(37,552)</u>
Change in cash basis net position	240,198	(2,430,993)
Cash basis net position beginning of year	<u>1,332,247</u>	<u>3,763,240</u>
Cash basis net position end of year	<u>\$ 1,572,445</u>	<u>\$ 1,332,247</u>

Total business type activities receipts for the fiscal year were \$3,041,804 compared to \$2,615,736 last year. This significant increase was due primarily to increases in Water, Electric, and Sewer rates charged. The cash balance increased \$240,198 from the prior year because of these rate increases. Total disbursements for the fiscal year decreased 44.8% to \$2,764,054. Electric disbursements were significantly higher in fiscal year 2012 due to the wind turbine project. Sewer disbursements were significantly higher in fiscal year 2013 due to the engineering services and lagoon dredging required.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of New London completed the year, its governmental funds reported a combined fund balance of \$728,326, a decrease of \$2,057 from last year's total of \$730,383. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$87,868 from the prior year to \$272,602. Approximately \$83,000 of this decrease was due to purchasing a fire truck costing \$263,452 while borrowing \$150,000 to finance the purchase.
- The Capital Projects Fund cash balance increased \$93,357 to \$348,290. This increase was due primarily to the receipt of \$133,876 in Local Option Sales Tax monies while only transferring \$42,808 to the debt service fund to pay debt.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Electric Fund cash balance increased from \$897,203 to \$1,128,591, due primarily to a significant increase in rates late in fiscal year 2012.
- The Enterprise, Sewer Fund cash balance increased from \$212,862 to \$242,109, due primarily to a significant increase in rates midway through the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2013 and resulted in an increase in culture and recreation by \$10,000 and general government by \$10,000 related to a general cost overrun on various expenses. The amendment also included an increase in public safety by \$110,000 and debt service by \$5,000 related to the purchase of a new fire truck that was not budgeted. Business type activities were amended by \$300,000 as a result of increased expenses due to engineering fees from planned improvements with the wastewater treatment plant and repairs from a lightning strike at the electric diesel generation plant.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$5,191,493 of bonds and other long-term debt outstanding, compared to \$5,084,390 last year, as shown below.

	June 30,	
Outstanding Debt at Year-End	<u>2013</u>	<u>2012</u>
Revenue notes	\$ 5,042,600	\$ 5,006,400
Other debt	<u>148,893</u>	<u>77,990</u>
Total	<u>\$ 5,191,493</u>	<u>\$ 5,084,390</u>

Debt increased as a result of borrowing \$150,000 to finance the purchase of the fire truck. In addition, the City issued sewer revenue capital loan anticipation project notes for the purpose of financing sewer projects. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of New London's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. Those factors include the local economy, the needs of the citizens and repair and maintenance of essential infrastructure.

These indicators were taken into account when adopting the budget for fiscal year 2014. Budgeted property tax revenue for fiscal year 2014 increased by 4% from fiscal year 2013 due to increased property values, and the tax levy remains at the maximum amount of \$8.10 per thousand dollars of valuation. Budgeted charges for service saw an increase in revenues in fiscal year 2014 of 9%. Rates for sewer and water services were increased in fiscal year 2013 in anticipation of loan payments for projects completed in fiscal year 2014. Budgeted other financing sources also increased in fiscal year 2014 by 391% due to a sewer loan in the amount of \$4,891,000 for improvements to the waste water treatment plant resulting from a DNR compliance schedule, and for a water loan of \$370,000 for the replacement of water mains in various areas of the city.

The budgeted general government activities expenditures decreased in fiscal year 2014 by 17% from the fiscal year 2013 budget mainly due to the purchase of a fire truck in fiscal year 2013 for \$201,702. The budgeted debt service fund balance decreased in fiscal year 2014 by 77% because of a final payment being made on a contract land purchase and lease purchase of a

public works truck. Budgeted business type activities expenditures saw an increase in fiscal year 2014 of 129% due to the improvements at the waste water treatment plant and the replacement of various existing water mains.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kasi A. Howard, City Clerk, City of New London, 112 West Main Street, New London, Iowa 52645.

City of New London
Basic Financial Statements

City of New London
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2013

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 534,742	16,780	30,402	-	(487,560)	-	(487,560)
Public works	214,972	2,217	186,438	-	(26,317)	-	(26,317)
Culture and recreation	156,039	-	16,071	-	(139,968)	-	(139,968)
General government	174,526	2,023	-	-	(172,503)	-	(172,503)
Debt service	86,471	-	-	-	(86,471)	-	(86,471)
Capital projects	2,139	-	-	-	(2,139)	-	(2,139)
Total governmental activities	1,168,889	21,020	232,911	-	(914,958)	-	(914,958)
Business type activities:							
Water	269,401	248,133	-	-	-	(21,268)	(21,268)
Electric	1,863,848	1,910,010	-	-	-	46,162	46,162
Sewer	481,644	296,329	-	-	-	(185,315)	(185,315)
Sanitation	149,161	156,146	-	-	-	6,985	6,985
Total business type activities	2,764,054	2,610,618	-	-	-	(153,436)	(153,436)
Total	\$ 3,932,943	2,631,638	232,911	-	(914,958)	(153,436)	(1,068,394)
General Receipts and Transfers:							
Property tax levied for general purposes					398,964	-	398,964
Local option sales tax					152,435	-	152,435
Unrestricted interest on investments					7,625	14,159	21,784
Loan proceeds					150,000	244,200	394,200
Miscellaneous					175,847	172,827	348,674
Transfers					37,552	(37,552)	-
Total general receipts and transfers					922,423	393,634	1,316,057
Change in cash basis net position					7,465	240,198	247,663
Cash basis net position beginning of year					698,250	1,332,247	2,030,497
Cash basis net position end of year					\$ 705,715	1,572,445	2,278,160
Cash Basis Net Position							
Restricted:							
Expendable:							
Road use purposes					\$ 53,168	-	53,168
Debt service					-	546,140	546,140
Unrestricted					652,547	1,026,305	1,678,852
Total cash basis net position					\$ 705,715	1,572,445	2,278,160

See notes to financial statements.

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Receipts:				
Property tax	\$ 292,670	-	106,294	398,964
Other taxes	18,559	133,876	-	152,435
Licenses and permits	375	-	-	375
Use of money and property	76,998	4,178	-	81,176
Intergovernmental	48,845	-	182,137	230,982
Charges for service	22,553	-	-	22,553
Miscellaneous	76,657	250	15,888	92,795
Total receipts	536,657	138,304	304,319	979,280
Disbursements:				
Operating:				
Public safety	242,432	-	28,858	271,290
Public works	31,945	-	183,027	214,972
Culture and recreation	141,844	-	14,195	156,039
General government	100,357	-	74,169	174,526
Debt service	-	-	86,471	86,471
Capital projects	-	2,139	-	2,139
Total disbursements	516,578	2,139	386,720	905,437
Excess of receipts over disbursements	20,079	136,165	(82,401)	73,843
Other financing sources (uses):				
Loan proceeds	150,000	-	-	150,000
Purchase of capital assets	(263,452)	-	-	(263,452)
Operating transfers in	22,000	-	82,631	104,631
Operating transfers out	(16,495)	(42,808)	(7,776)	(67,079)
Total other financing sources (uses)	(107,947)	(42,808)	74,855	(75,900)
Change in cash balances	(87,868)	93,357	(7,546)	(2,057)
Cash balance, beginning of year	360,470	254,933	114,980	730,383
Cash balance, end of year	\$ 272,602	348,290	107,434	728,326
Cash Basis Fund Balances				
Restricted for Road use purposes	\$ -	-	53,168	53,168
Assigned for:				
Library purposes	97,425	-	-	97,425
Capital project purposes	-	348,290	-	348,290
Other purposes	-	-	54,266	54,266
Unassigned	175,177	-	-	175,177
Total cash basis fund balance	\$ 272,602	348,290	107,434	728,326

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the year ended June 30, 2013

Total governmental funds cash balances (page 14) \$ 728,326

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(22,611)

Cash basis net position of governmental activities (page 13) \$ 705,715

Change in cash balances (page 14) \$ (2,057)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

9,522

Change in cash basis net position of governmental activities (page 13) \$ 7,465

See notes to financial statements.

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds				Internal Service
	Electric	Sewer	Nonmajor	Total	Employee Health
Operating receipts:					
Charges for service	\$ 1,910,010	296,329	404,279	2,610,618	23,450
Miscellaneous	171,555	-	12,580	184,135	-
Total operating receipts	2,081,565	296,329	416,859	2,794,753	23,450
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	300
Culture and recreation	-	-	-	-	1,060
General government	-	-	-	-	2,605
Business type activities	1,524,762	123,663	416,347	2,064,772	15,307
Total operating disbursements	1,524,762	123,663	416,347	2,064,772	19,272
Excess (deficiency) of operating receipts over (under) operating disbursements	556,803	172,666	512	729,981	4,178
Non-operating receipts (disbursements):					
Interest on investments	9,118	2,138	2,903	14,159	36
Miscellaneous	4,553	-	446	4,999	-
Revenue bond proceeds	-	231,200	13,000	244,200	-
Capital projects	-	(308,081)	(13,215)	(321,296)	-
Purchase of land	(3,628)	-	-	(3,628)	-
Debt service	(335,458)	(49,900)	-	(385,358)	-
Net non-operating receipts (disbursements)	(325,415)	(124,643)	3,134	(446,924)	36
Excess of receipts over disbursements	231,388	48,023	3,646	283,057	4,214
Transfers out	-	(18,776)	(18,776)	(37,552)	-
Change in cash balances	231,388	29,247	(15,130)	245,505	4,214
Cash balances beginning of year	897,203	212,862	187,130	1,297,195	2,919
Cash balances end of year	\$ 1,128,591	242,109	172,000	1,542,700	7,133
Cash Basis Fund Balances					
Restricted for debt service	\$ 449,657	-	96,483	546,140	-
Unrestricted	678,934	242,109	75,517	996,560	7,133
Total cash basis fund balances	\$ 1,128,591	242,109	172,000	1,542,700	7,133

See accompanying independent auditor's report.

City of New London
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds
As of and for the year ended June 30, 2013

Total enterprise funds cash balances (page 16)	\$ 1,542,700
---	--------------

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

29,745

Cash basis net position of business type activities (page 13)	\$ 1,572,445
--	--------------

Change in cash balances (page 16)	\$ 245,505
--	------------

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(5,307)

Change in cash basis net position of business type activities (page 13)	\$ 240,198
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See notes to financial statements.

City of New London

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of New London is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1861 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of New London has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission, Southeastern Iowa Regional Planning Commission Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. Local option sales tax is recorded in this fund.

The City reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and debt service functions before the budget was amended.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Level 1, which means that the investments are insured or registered, or the securities are held by the City or its agent in the City's name. All of the City's investments were in certificates of deposit during the fiscal year ended June 30, 2013.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bonds and notes are as follows:

Year Ended June 30,	Electric Revenue Capital Loan Note		Sewer Revenue Bond		Water and Sewer Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 175,000	\$ 157,483	\$ 34,000	\$ 14,610	\$ 380,600	\$ -
2015	180,000	154,508	35,000	13,590	-	-
2016	185,000	150,818	36,000	12,540	-	-
2017	185,000	146,470	38,000	11,460	-	-
2018	190,000	141,660	39,000	10,320	-	-
2019-2023	1,065,000	609,455	211,000	33,450	-	-
2024-2028	1,280,000	381,033	94,000	4,260	-	-
2029-2031	<u>915,000</u>	<u>84,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$4,175,000</u>	<u>\$1,826,392</u>	<u>\$487,000</u>	<u>\$100,230</u>	<u>\$ 380,600</u>	<u>\$ -</u>

Revenue Notes

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$4,450,000 of electric revenue notes issued in April 2011. Proceeds from the notes provided financing for the construction of the Wind Turbine. The notes are payable solely from electric customer net receipts and are payable through 2031. The total principal and interest remaining to be paid on the notes is \$6,001,394. For the current year, principal and interest paid and total customer net receipts were \$334,758 and \$556,803, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$727,000 of sewer revenue notes issued in April 2005. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$587,230. For the current year, principal and interest paid and total customer net receipts were \$48,600 and \$172,666, respectively.

The resolutions providing for the issuance of the electric revenue note and the sewer revenue bond include the following provisions:

- (a) The bond or note will only be redeemed from the future earnings of the enterprise activity and the bond or note holders hold a lien on the future earnings of the funds.

- (b) Sufficient monthly transfers shall be made to separate electric and sewer sinking accounts within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.
- (c) Electric user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next fiscal year.
- (d) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next fiscal year.

(4) Self-Insured Health Benefits

The City has an agreement to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance, 80% of the deductible, and 100% of the out of pocket maximum after the deductible has been met. The total maximum reimbursement liability of the City is \$124,200. The City's actual cost related to this reimbursement for the year ended June 30, 2013 was \$19,271.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$63,275, \$58,838 and \$52,900, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 29,000
Comp time	<u>3,000</u>
Total	<u>\$ 32,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Related Party Transactions

The City had business transactions with City officials or employees totaling \$375 during the year ended June 30, 2013.

(8) Major Supplier

The City purchases electric power through the Resale Power Group of Iowa. The total amount purchased was \$527,583 which represents 100% of the total kilowatt hours purchased.

(9) Franchise Fees

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement will expire in February of 2018.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active employees and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$315.03 for single coverage and \$787.56 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$102,347 and plan members eligible for benefits did not contribute to the plan.

(11) Unconditional Guarantee

On April 4, 2008, the City of New London, upon resolution of the City Council, agreed to guarantee the performance by the New London Community and School District Foundation (Foundation) of all terms and conditions of the agreement between the Foundation and the United States Department of Agriculture (USDA). The loan was to finance the construction of a child care facility. The New London Community School District is the fee title holder of record, but subject to a leasehold interest granted to the Foundation.

The City of New London, upon notification by the USDA of any default of non-performance of said agreement by the Foundation, shall make payments to cure said default out of any funds of the City of New London, Iowa, including out of its General Operating Fund or its Debt Service Fund established pursuant to Iowa Code 384.4. During the year ended June 30, 2013, the City of New London did not need to make any payments on behalf of the Foundation.

This Unconditional Guarantee shall be binding on all successive city councils as it is the intent of the City of New London that this Unconditional Guarantee shall exist for as long as the indebtedness to the USDA is outstanding. The City waives all defenses to this Unconditional Guarantee, and pledges its full faith and credit to the repayment and guarantee of the loan. As of June 30, 2013, the outstanding loan balance was \$933,283.

(12) Lease Commitment

On April 29, 2010, the City entered into a 25 year real estate lease for the purpose of erecting, maintaining and operating a wind turbine for the purpose of generating electricity. The lease was amended on March 21, 2012 with the following terms. The lease is renewable on a year-to-year basis at the end of the 25 year term. The City agreed to pay the real estate taxes and special assessments related to the parcel of land. The annual payment is subject to increases every 5 years based upon the most recent U.S. Bureau of Labor Midwest Region Consumer Price Index. Total rent expense for the year ended June 30, 2013 was \$6,000. The future minimum lease payments under this agreement are as follows:

Year Ending June 30,	
2014	\$ 6,000
2015	6,000
2016	6,000
2017	6,000
2018	6,000
Thereafter	<u>99,000</u>
Total	\$ <u>129,000</u>

(13) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to:	
General fund	\$ 22,000
Debt service fund	82,631
Sewer sinking fund	51,600
Electric sinking fund	<u>336,000</u>
	\$ <u>492,231</u>
Transfer from:	
General fund	\$ 16,495
Road use tax fund	7,776
Capital improvements fund	42,808
Sanitation fund	18,776
Sewer fund	70,376
Electric fund	<u>336,000</u>
	\$ <u>492,231</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(14) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(15) Subsequent Events

In September 2013, the City approved a bid of \$4,518,859 for wastewater treatment plant improvements. Five pay estimates totaling \$1,602,253 were paid from November through March. In February 2014, the City approved the issuance of \$4,891,000 sewer revenue capital loan notes in order to finance the improvements.

In September 2013, the Municipal Utility Trustees approved a bid of \$222,752 for the water main improvement project. Two pay estimates totaling \$90,274 were paid in November and December. In January 2014, the Trustees approved the issuance of water revenue capital loan notes in an amount not to exceed \$370,000.

Other Information

City of New London

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 398,964	-	-
Other city tax	152,435	-	-
Licenses and permits	375	-	-
Use of money and property	81,176	14,195	36
Intergovernmental	230,982	-	-
Charges for service	22,553	2,634,068	23,450
Miscellaneous	92,795	189,134	-
Total receipts	979,280	2,837,397	23,486
Disbursements:			
Public safety	534,742	300	-
Public works	214,972	-	-
Culture and recreation	156,039	1,060	-
General government	174,526	2,605	-
Debt service	86,471	-	-
Capital projects	2,139	-	-
Business type activities	-	2,786,733	15,307
Total disbursements	1,168,889	2,790,698	15,307
Excess (deficiency) of receipts over (under) disbursements	(189,609)	46,699	8,179
Other financing sources, net	187,552	203,020	-
Net changes in cash balances	(2,057)	249,719	8,179
Cash balances beginning of year	730,383	1,300,114	2,919
Cash balances end of year	\$ 728,326	1,549,833	11,098

See accompanying independent auditor's report.

Net Total	Budgeted Amounts		Final to Net Total Variance
	Original	Final	
398,964	404,900	404,900	(5,936)
152,435	148,833	148,833	3,602
375	2,500	2,500	(2,125)
95,335	123,297	123,297	(27,962)
230,982	220,980	220,980	10,002
2,633,171	2,677,500	2,977,500	(344,329)
281,929	31,000	31,000	250,929
3,793,191	3,609,010	3,909,010	(115,819)
535,042	460,475	570,475	35,433
214,972	216,900	216,900	1,928
157,099	159,860	169,860	12,761
177,131	171,000	181,000	3,869
86,471	84,135	89,135	2,664
2,139	93,690	93,690	91,551
2,771,426	3,113,990	3,413,990	642,564
3,944,280	4,300,050	4,735,050	790,770
(151,089)	(691,040)	(826,040)	(906,589)
390,572	905,000	1,055,000	(664,428)
239,483	213,960	228,960	(1,571,017)
2,027,578	1,762,884	1,762,884	3,443,168
2,267,061	1,976,844	1,991,844	1,872,151

City of New London

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$435,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and debt service functions before the budget was amended.

Supplementary Information

City of New London
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue			
	Road Use Tax	Employee Benefits	Debt Service	Total
Receipts:				
Property tax	\$ -	106,294	-	106,294
Intergovernmental	182,137	-	-	182,137
Miscellaneous	4,300	11,588	-	15,888
Total receipts	186,437	117,882	-	304,319
Disbursements:				
Operating:				
Public safety	-	28,858	-	28,858
Public works	170,519	12,508	-	183,027
Culture and recreation	-	14,195	-	14,195
General government	-	74,169	-	74,169
Debt service	-	-	86,471	86,471
Total disbursements	170,519	129,730	86,471	386,720
Excess (deficiency) of receipts over (under) disbursements	15,918	(11,848)	(86,471)	(82,401)
Other financing sources (uses):				
Operating transfers in	-	-	82,631	82,631
Operating transfers out	(7,776)	-	-	(7,776)
Change in cash balances	8,142	(11,848)	(3,840)	(7,546)
Cash balances beginning of year	45,026	66,114	3,840	114,980
Cash balances end of year	\$ 53,168	54,266	-	107,434
Cash Basis Fund Balances				
Restricted for road use purpose	\$ 53,168	-	-	53,168
Assigned for other purposes	-	54,266	-	54,266
Total cash basis fund balances	\$ 53,168	54,266	-	107,434

See accompanying independent auditor's report.

City of New London
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2013

	Enterprise Funds			Total
	Water	Sanitation	Utility Deposits	
Operating receipts:				
Charges for service	\$ 248,133	156,146	-	404,279
Miscellaneous	-	-	12,580	12,580
Total operating receipts	248,133	156,146	12,580	416,859
Operating disbursements:				
Business type activities	256,186	149,161	11,000	416,347
Total operating disbursements	256,186	149,161	11,000	416,347
Excess (deficiency) of operating receipts over (under) operating disbursements	(8,053)	6,985	1,580	512
Non-operating receipts (disbursements):				
Interest on investments	2,363	540	-	2,903
Miscellaneous	446	-	-	446
Revenue bond proceeds	13,000	-	-	13,000
Capital projects	(13,215)	-	-	(13,215)
Net non-operating receipts (disbursements)	2,594	540	-	3,134
Excess of receipts over disbursements	(5,459)	7,525	1,580	3,646
Transfers out	-	(18,776)	-	(18,776)
Change in cash balances	(5,459)	(11,251)	1,580	(15,130)
Cash balances beginning of year	101,942	58,076	27,112	187,130
Cash balances end of year	\$ 96,483	46,825	28,692	172,000
Cash Basis Fund Balances				
Restricted for debt service	\$ 96,483	-	-	96,483
Unrestricted	-	46,825	28,692	75,517
Total cash basis fund balances	\$ 96,483	46,825	28,692	172,000

See accompanying independent auditor's report.

City of New London
Schedule of Indebtedness
Year Ended June 30, 2013

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue bonds/notes:									
Sewer revenue capital loan bond	4/7/05	3.00%	\$ 727,000	\$ 520,000	\$ -	\$ 33,000	\$ 487,000	\$ 15,600	\$ -
Water revenue capital loan note	11/9/09	0.00%	100,000	45,000	13,000	-	58,000	-	-
Sewer revenue capital loan note	11/10/09	0.00%	100,000	91,400	8,600	-	100,000	-	-
Electric revenue capital loan note	4/28/11	1.10-4.60%	4,450,000	4,350,000	-	175,000	4,175,000	159,758	-
Sewer revenue capital loan anticipation project note	9/21/12	0.00%	222,600	-	222,600	-	222,600	-	-
Total				<u>5,006,400</u>	<u>244,200</u>	<u>208,000</u>	<u>5,042,600</u>	<u>175,358</u>	<u>-</u>
Other debt:									
Danville State Bank-fire truck	11/20/03	6.00%	135,809	14,356	-	14,356	-	725	-
Land contract purchase	9/2/08	3.50%	206,804	41,360	-	41,360	-	1,448	-
Daimler Chrysler-Freightliner truck	11/25/08	4.55%	106,469	22,274	-	22,274	-	1,053	-
Danville State Bank-fire truck	5/7/13	2.50%	150,000	-	150,000	1,107	148,893	307	-
Total				<u>77,990</u>	<u>150,000</u>	<u>79,097</u>	<u>148,893</u>	<u>3,533</u>	<u>-</u>
Total all debt				<u>\$5,084,390</u>	<u>\$394,200</u>	<u>\$287,097</u>	<u>\$5,191,493</u>	<u>\$178,891</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of New London
Bond and Note Maturities
June 30, 2013

Schedule 4

Year Ending June 30,	Electric Revenue Note		Sewer Revenue Bond		Water Revenue Note	
	Issued April 28, 2011		Issued April 7, 2005		Issued November 9, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	1.70%	\$ 175,000	3.00%	\$ 34,000	0.00%	\$ 58,000
2015	2.05%	180,000	3.00%	35,000		-
2016	2.35%	185,000	3.00%	36,000		-
2017	2.60%	185,000	3.00%	38,000		-
2018	2.95%	190,000	3.00%	39,000		-
2019	3.25%	200,000	3.00%	40,000		-
2020	3.40%	205,000	3.00%	41,000		-
2021	3.65%	210,000	3.00%	42,000		-
2022	3.90%	220,000	3.00%	43,000		-
2023	4.05%	230,000	3.00%	45,000		-
2024	4.15%	235,000	3.00%	46,000		-
2025	4.25%	245,000	3.00%	48,000		-
2026	4.35%	255,000		-		-
2027	4.40%	265,000		-		-
2028	4.45%	280,000		-		-
2029	4.50%	290,000		-		-
2030	4.55%	305,000		-		-
2031	4.60%	320,000		-		-
		<u>\$ 4,175,000</u>		<u>\$ 487,000</u>		<u>\$ 58,000</u>

See accompanying independent auditor's report.

Sewer Revenue Note		Sewer Revenue Anticipation Project Note		
Issued November 10, 2009		Issued September 21, 2012		
Interest		Interest		
Rates	Amount	Rates	Amount	Total
0.00%	\$ 100,000	0.00%	\$ 222,600	\$ 589,600
	-		-	215,000
	-		-	221,000
	-		-	223,000
	-		-	229,000
	-		-	240,000
	-		-	246,000
	-		-	252,000
	-		-	263,000
	-		-	275,000
	-		-	281,000
	-		-	293,000
	-		-	255,000
	-		-	265,000
	-		-	280,000
	-		-	290,000
	-		-	305,000
	-		-	320,000
	<u>\$ 100,000</u>		<u>\$ 222,600</u>	<u>\$ 5,042,600</u>

City of New London
Schedule of Receipts By Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 398,964	416,154	394,362	375,342
Tax increment financing collections	-	-	-	31,920
Other city taxes	152,435	155,866	156,254	140,104
Licenses and permits	375	875	595	1,110
Use of money and property	81,176	75,107	73,605	78,524
Intergovernmental	230,982	225,214	244,286	239,987
Charges for services	22,553	26,162	28,799	25,028
Miscellaneous	92,795	61,034	63,884	67,308
Total	<u>\$ 979,280</u>	<u>960,412</u>	<u>961,785</u>	<u>959,323</u>
Disbursements:				
Operating:				
Public safety	\$ 271,290	306,548	299,799	284,877
Public works	214,972	191,681	174,753	222,489
Culture and recreation	156,039	158,927	144,401	136,748
Community and economic development	-	-	-	27,285
General government	174,526	164,832	158,555	157,057
Debt service	86,471	114,802	7,776	45,903
Capital projects	2,139	41,351	260,827	106,326
Total	<u>\$ 905,437</u>	<u>978,141</u>	<u>1,046,111</u>	<u>980,685</u>

* Totals do not include all bank activity for the library

See accompanying independent auditor's report.

Schedule 5

2009*	2008*	2007*	2006*	2005*	2004*
362,711	355,068	346,641	336,364	338,933	335,928
31,500	30,071	29,378	31,645	30,930	27,147
163,702	166,066	146,881	150,312	145,255	135,775
505	865	880	1,480	2,232	1,745
83,865	97,782	83,138	69,169	64,074	63,820
480,174	651,234	300,204	208,805	205,790	243,872
11,909	29,041	26,892	28,185	28,418	36,718
21,819	33,053	18,775	22,943	36,157	35,203
1,156,185	1,363,180	952,789	848,903	851,789	880,208
275,522	376,362	296,617	256,482	229,864	228,702
184,477	229,548	172,628	208,992	176,035	187,660
105,726	118,635	114,108	115,307	105,579	89,922
43,493	-	-	-	-	200
154,095	139,578	122,309	117,137	114,271	124,696
31,672	30,725	26,440	27,645	64,666	48,874
422,931	586,374	134,885	43,767	81,130	212,581
1,217,916	1,481,222	866,987	769,330	771,545	892,635

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 28, 2014. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of New London's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New London's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of New London's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of New London's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items C and D to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New London's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of New London's Responses to Findings

The City of New London's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of New London's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of New London during the course of my audit.

Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

TED M. WIEGAND, CPA

March 28, 2014

City of New London
Schedule of Findings
Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. There is a lack of adequate segregation of duties in the following areas for the City: Cash, Investments, Capital Assets, Long-Term Debt, Receipts, Disbursements, Payroll, and Financial Reporting.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. The City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. I specifically recommend that the City provide for the review of bank reconciliations by an official other than the Clerk. I also recommend a procedure for review and approval of employee timesheets. Timesheets should be signed or initialed by the approving person.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion – Response accepted.

- B. Financial Reporting – Management is responsible for the preparation and fair presentation of the financial statements and accompanying notes to the financial statements. The City does not employ an accounting staff with the technical knowledge and expertise to prepare and present the financial statements and related footnotes in conformity with all applicable accounting standards for the cash basis of receipts and disbursements.

Recommendation – I realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, may be considered cost-prohibitive and inefficient, and that it is uncommon for a small entity to have such personnel. The City should ensure that management personnel who are responsible for reviewing and approving the draft financial statements and notes to the financial statements have sufficient knowledge of the City's financial position, transactions, and internal control.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

- C. Disaster Recovery Plan – The City does not have a written disaster recovery plan for information systems.

Recommendation – The City should develop a written disaster recovery plan that includes the following:

- Identification of critical applications
- Identification of staff responsibilities
- Identification of steps for recovery of the system
- Identification of computer equipment needed for temporary processing
- Requirement a copy of the disaster recovery plan be kept off site

City of New London
Schedule of Findings
Year ended June 30, 2013

Requirement to keep system backups current and off site
Inventory of all hardware and components
Inventory of all software applications (e.g. operating system and software applications, release versions and vendor names)
Requirement copies of all user documentation and policy and procedures manuals be located off site
Requirement extra stocks of checks be located off site
A determination of whether the disaster recovery plan is adequately tested

Response – The City will develop a disaster recovery plan.

Conclusion – Response accepted.

- D. Annual Financial Report – The Annual Financial Report submitted to the State of Iowa for the year ended June 30, 2013 did not include the transactions or balances of the City's Internal Service Fund (Employee Health).

The budget amounts reported on the Annual Financial Report did not agree with the City's adopted budget.

The principal and interest totals reported in the Annual Financial Report were incorrect, as some debt payments were coded entirely to principal. Principal was reported as \$81,183 and interest as \$1,448, but actual principal payments totaled \$79,135 and interest totaled \$3,496.

Recommendation – The City should include all funds in the Annual Financial Report. The City should ensure that budget amounts on the Annual Financial Report are accurately reported. The City should properly record the principal and interest components of debt payments in the accounting system in the future.

Response – The City will include all of its funds in future Annual Financial Reports and will be more diligent in double checking its figures when reporting on the Annual Financial Reports to ensure that budget amounts and actual funds spent/received are accurately reported in the correct area of the report.

Conclusion – Response accepted.

City of New London
Schedule of Findings
Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The fund balance totals shown on the budget amendment were double the proper amount as a result of an addition error.

Recommendation – The budget should be amended before disbursements exceed the budget in accordance with Chapter 384.18 of the Code of Iowa.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2. Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Great River Beverage	Coffee	\$ 98

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of New London
Schedule of Findings
Year ended June 30, 2013

4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Donald Warth, Public Works Employee	Mowing	\$ 375

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Public Works Employee do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

5. Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

6. City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they did not include total expenditures by fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should include total expenditures from each City fund in minutes publications as required by Chapter 372.13(6) of the Code of Iowa.

Response – We will publish total expenditures by fund in the minutes as required.

Conclusion – Response accepted.

7. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

8. Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

9. Debt Service Fund – Chapter 384.4 of the Code of Iowa states, in part, that a city shall establish a debt service fund to pay judgments against the city, interest as it becomes due and the amount necessary to pay the principal at maturity of all general obligation bonds issued by the city, payments required to be made from the debt service fund under a lease or lease-purchase agreement, or payments required to be made from the debt service fund under a loan agreement.

A total of \$82,631 in debt payments and \$3,840 of other disbursements were charged to the Debt Service fund that did not meet the criteria of Chapter 384.4 of the Code of Iowa. The City had no judgments or general obligation bonds to pay during the fiscal year, so the Debt Service fund was not needed.

Recommendation – The City should only use the Debt Service fund to pay judgments and general obligation bond principal and interest as prescribed by the Code of Iowa.

City of New London
Schedule of Findings
Year ended June 30, 2013

Response – The City will only use the Debt Service fund to pay judgments and general obligation bond principal and interest payments.

Conclusion – Response accepted.

10. Separately Maintained Records – The City of New London maintains a separate checking account for flag football. The account balance and transactions are not included in the City's accounting records or financial statements. The balance of this account at June 30, 2013 was \$742.29.

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response – The City will ensure that procedures are in place to document all receipts and expenditures in accordance with the Code of Iowa.

Conclusion – Response accepted.